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DE RUEHWD #0118/01 0991215
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FM AMEMBASSY WINDHOEK
TO RUEHC/SECSTATE WASHDC 0442
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHBJ/AMEMBASSY BEIJING 0086
RUEHGH/AMCONSUL SHANGHAI 0001
RUEKJCS/SECDEF WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHMFISS/HQ USAFRICOM STUTTGART GE

C O N F I D E N T I A L SECTION 01 OF 03 WINDHOEK 000118

C O R R E C T E D C O P Y (Classification Markings 1st Par)

SIPDIS

STATE FOR AF, EAP/C, INR
DOD FOR OSD/AF

E.O. 12958: DECL: 03/16/2019
TAGS: [PREL](#) [PGOV](#) [MARR](#) [WA](#) [CH](#)
SUBJECT: UPDATE ON CHINESE ACTIVITIES IN NAMIBIA

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Classified By: Ambassador Dennise Mathieu for reasons 1.5 (b) and (d)

Summary

11. (C) China provided significant financial support to the ruling SWAPO party during the liberation struggle, and today it continues to maintain close political, financial, and commercial ties to SWAPO. The Chinese government has given the GRN over 1 billion Namibian dollars since independence (USD 100 million), and Beijing has funded a number of large construction projects involving government buildings, including a new official residence for the President and a promised military academy. Bilateral trade soared from USD 74 million in 2003 to nearly USD 400 million four years later. Resentment against Chinese companies, which maintain a heavy presence in Namibia's construction sector, is growing, as the general public believes they receive preferential treatment in awarding of government tenders and fail to comply with Namibia's labor laws. The size of the Chinese community in Namibia is estimated at between 3,000 and 4,000. End Summary.

Chinese Relations with Namibia

12. (C) China enjoys excellent relations with Namibia based on historical ties and current bilateral trade and development assistance. The embassy, established since independence, has 23 officers according to the Diplomatic List. Ambassador Ren Xiaoping, who presented her credentials in November 2007, speaks English fluently and actively engages with GRN officials. The Chinese are here to stay, as evidenced by the new Chinese embassy compound being built in Windhoek. The structure, which dwarfs those of its diplomatic counterparts, is slated to be completed next year. All Chinese diplomats will live on the compound, reportedly for protection from Windhoek's crime threat. The number of Chinese citizens living in Namibia is somewhere between 3,000 and 4,000, according to Xiaoping, and they are mainly involved in the construction and retail sales businesses.

Trade

13. (SBU) China's trade with Namibia is steadily increasing.

According to open sources, in 2003, bilateral trade between China and Namibia totaled USD 74 million, and in 2007, that figure had risen to almost USD 400 million. China is importing minerals, such as copper and manganese, marble, uranium, and some fish and fur products. The Chinese purchased USD 554,414 worth of fish in 2004, with that figure rising to USD 943,383 in 2007 and USD 893,683 in just the first half of 2008. In 2004, the Rossing uranium mine sold uranium to the Chinese national nuclear industry for the first time-- 106 tons in 2004 and 109 tons in 2005. Figures for subsequent year are unavailable, but Rossing expects the highest industry growth over the next few years to come from China and Russia. Indeed, in 2008, China acquired a 12 percent stake in the Rio Tinto Group, which owns a 69 percent interest in Rossing. Chinese exports to Namibia include clothing, appliances, and low-priced, light manufactured goods sold in thousands of retail shops across the country.

Construction: Ever Present but Engendering Resentment

14. (C) Chinese involvement in the construction sector garners considerable attention in the Namibian press. It is estimated that China now controls as much as 70% of the market share, and complaints that Chinese construction firms skirt labor regulations are often heard. For instance, Chinese plans to build a military academy for Namibian officers in the town of Okahandja have been marred by accusations in the press of unfair competition and non-compliance with Namibia's labor laws. According to Namibia's major English language daily, the Chinese construction companies involved in the project allegedly have failed to pay minimum wage and make social security and pension contributions to Namibian workers. Other Chinese construction firms supposedly hire fewer than 50 permanent workers to avoid inspections by the Ministry of Labour and Social Welfare. These same firms then employ

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several hundred temporary workers, however, to complete construction projects.

15. (SBU) In Namibia's High Court two local construction firms are challenging a decision by the government's Tender Board and the Ministry of Works and Transport to award to China Nanjing International a 74 million (Namibian dollars) contract to build a head office for the Ministry of Lands and Resettlement. The companies claim that the Government of Namibia (GRN) gives preferences to Chinese construction firms by overlooking certain requirements, such as adherence to the Affirmative Action and Labour acts.

16. (C) The Chinese Embassy has been quietly critical of some Chinese companies operating in Namibia, admitting some were "irresponsible employers" who sometimes forget or ignore the fact that they are subject to Namibian law. According to Lin Jing, outgoing DCM, the Chinese Embassy regularly tries to educate Chinese employers about Namibian laws to which they are subject by placing information in a local Chinese language newspaper. Moreover, Lin stated that the embassy maintains an ongoing dialogue with the GRN about these firms and the challenges they face working in a foreign environment. Lin expressed sympathy with the desire of Chinese firms to hire Chinese workers, who, he said, have a stronger work ethic than their Namibian counterparts.

Aid from Beijing

17. (SBU) Since independence, China has given Namibia two grants of 30 and 50 million yuan, an interest-free loan of 30 million yuan, and one billion yuan as a concessional loan. This is in addition to a one billion yuan credit line offered by President Hu Jintao during his state visit to Namibia in February 2007, which Director of the National Planning Commission Peter Katjavivi told us has not been used yet. Xioaping told journalists recently that perhaps the credit

line could be used to upgrade and expand the port in Walvis Bay. The grant for the 50 million yuan was signed in February 2009, and Xioaping said the two governments have not decided how the funds will be spent. Part of the 30 million yuan grant has gone towards the construction of the President's residence, which will be part of the North Korean-built State House complex.

¶18. (SBU) In July 2001, construction was completed on a satellite tracking and command station in Swakopmund. The station cost USD 1.2 million and covers an area of 150 meters by 85 meters. (Note: The site was chosen as it was on the orbital track of a manned spacecraft during its reentry phase. End note)

¶19. (SBU) On a stretch of communal land between Windhoek and Rehoboth, the Chinese have been constructing a storage facility for a nearby military base since 2006. The GRN has promised to acquire additional land to give to nearby residents upon whose properties the building is encroaching.

¶10. (SBU) In December 2008, the China Friendship Development International Engineering Design Consultation Corporation donated USD 50,000 worth of computer equipment to the Ministry of Justice. At the handover ceremony, Xioaping noted that China also planned to give 200 Namibians the opportunity to study in China.

¶11. (C) The governor of the Kavango region told us that China provided a USD 5 million grant last year for the construction of regional council offices in Namibia. The GRN considered Kavango and the Omusati region to be priorities, and thus the funds were divided between them.

¶12. (C) China has committed to upgrading and expanding the aforementioned USD 650,000 Namibian Defense Force military school into a more prestigious defense academy. Lin explained that after years of discussion and planning, construction on the academy was stalled. "They change plans every time we meet," he said. However, a Chinese-built air base in the town of Karibib, northwest of Windhoek, is nearly finished. Beijing also provides Namibia a substantial number of training slots in its military courses in China -- 68 in ¶2007. In addition, there are regular exchanges of visits by senior Chinese and Namibian military officers. China also is

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assisting Namibia in building an Air Force fighter fleet, and it provided 100 trucks to the Namibian Defense Forces recently.

¶13. (SBU) China is about to begin construction on a school and a 70-bed hospital in Omuthiya in the Oshikoto region with a grant of USD 7 million. Two more schools will be built in Tsumkwe, while the Kamutjonga Inland Fisheries Institution, an aquaculture research center in the Kavango region, was recently equipped by China. More aid is in the pipeline for the construction of a USD 13 million youth training center.

¶14. (C) Asked how the Chinese determine the focus of their assistance to Namibia, Lin told us that the embassy and the GRN agree to a list of projects, and the GRN is then given funds directly to implement the projects. Lin described the process as requiring little oversight or accountability.

Comment

¶15. (C) While the Government of Namibia supports China as a friend and ally, it is clear that many Namibians resent the growing Chinese presence in their country. In addition to complaints that the Chinese unfairly win tenders, ignore labor regulations, and "steal Namibian jobs," there is also a perception that the Chinese, many of whom own shops in the northern part of the country, near the Angolan border (over

500 retail stores in the small town of Oshikongo), do not make an effort to assimilate or learn local languages. It is also commonly believed that immigration authorities overlook visa fraud and grant entry permits to Chinese who claim to be investors when in reality they intend to open retail shops. A recent study by the Labour Resources and Research Institute (LaRRI) argued the retail outlets bring few individual benefits, such as skill and technology transfers, and do not contribute to the country's overall development.

16 (C) In a country in which anti-colonial rhetoric still resonates, the refrain that the Chinese presence in Namibia is growing too large and influential and that the country has been sold to its Asian friends, is becoming increasingly common. An April Fools Day joke in a local German-language newspaper, which featured an article stating that Windhoek street signs would soon be posted in Chinese, resulted in numerous angry calls and letters to the editor. Business owners, particularly those in the northern regions near the Angolan border, and labor unions are becoming increasingly outspoken on the issue and have begun asking the government to intervene.

17. (C) Nevertheless, given the close historical ties between SWAPO and Beijing, and the significant concrete benefits they continue to produce for the Government of Namibia, the growing public resentment is unlikely to translate into policy changes in the near term. At the invitation of SWAPO, a ministerial-level delegation from the Communist Party attended the fourth SWAPO national congress in 2007. It is unclear whether the Chinese government has made or will make any contributions directly to SWAPO in the lead-up to the presidential and parliamentary elections this November, as they reportedly did in 2004 with a USD 30,000 contribution. In March, Xioaping used the occasion of Namibia's independence day to write an opinion piece in the New Era newspaper in which she extolled SWAPO's accomplishments, thanked Namibia for its sympathy during the 2008 Sichuan earthquake and for its support on Tibet- and Taiwan-related issues, and promised unwavering assistance despite tough economic times.

MATHIEU